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GENERAL

1. USSR seeks concessions through UN discussion of Korean war:

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The American Embassy in Moscow believes that Soviet proposals for UN discussion of the Korean problem represent tactical stalling to gain further UN concessions or a better logistical position in Korea. The Embassy suggests that the USSR is attempting to put UN negotiators under added pressure from those members anxious for an early peace.

In a similar comment, the British mission in Peiping adds its belief that both the USSR and China want an armistice on "reasonable" terms and that the Central People's Government was probably consulted on the Soviet maneuvers in the UN.

Comment: Available evidence indicates that, despite rumors of disunity, there will be continuing coordination of Sino-Soviet strategy with respect to the Korean war.

2. Soviet note to Austria clarified:

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The recent Soviet note to Austria mentioning "Austrian citizens liberated by the Soviet Union" has been clarified by the Austrian Minister in Moscow. It apparently refers to

400 Austrians liberated in Poland toward the end of the war and repatriated to Austria, for which the Austrian Government was to assume expenses. The Soviet note thus refers entirely to one of the previously agreed upon articles, rather than, as originally interpreted, to an article still to be negotiated.

FAR EAST

3. US Minister disturbed over French morale in Indochina:

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American Minister Heath states that Marshal de Lattre's death has had a "staggering" impact on all sectors of French opinion in Indochina. He adds that the appointments of General Salan as Commander in Chief and of Gautier as High Commissioner are viewed with misgiving and, in some quarters, with open opposition to this division of authority. He foresees the possibility that an attitude of defeatism will develop if a "third-rater" is named as a permanent successor to De Lattre or if the military situation in Tonkin becomes more critical.

Comment: De Lattre provided French officials and troops in Indochina with a tremendous psychological boost during the first half of 1951, but his absences during the past six months had no noticeable effect on French morale.

French forces in Tonkin, on the other hand, have been under constant attack by the Viet Minh since the first week of December, and all reports indicate continued and intensified pressure by the enemy, whose material strength is being rapidly increased by aid from Communist China.

4. Chinese Communist leader believes Viet Minh can defeat the French:

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[REDACTED] the Secretary of the Communist Party Committee in Kwangsi as stating that the Viet Minh is sufficiently strong to defeat the French-Vietnamese forces despite increasing US aid. Chinese units will not be needed in Indochina unless the French are reinforced by troops from other Western nations.

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Comment: [redacted] evidence of greatly increased Chinese material aid and the prolonged campaign against the French defense perimeter give credence to this report. Numerous [redacted] in the past two weeks have deprecated December reports that overt Chinese Communist intervention in Indochina was imminent.

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NEAR EAST - AFRICA

6. Iranian Communists expected to win parliamentary representation:

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[redacted] Non-Communist Iranian labor leaders estimate that at least five Communist-controlled deputies will be elected to the next parliament. The Communists are backing a slate of twelve candidates who are making special appeals to the workers. The labor leaders consider that the good discipline of the Communists will result in a total vote for Communist-supported candidates of 150,000 to 200,000. Labor circles report further that if genuinely free elections were permitted in the oil province of Khuzistan, Communists or fellow travelers would defeat the National Front candidates.

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Comment: The outlawed Tudeh Party is making a determined effort to win representation in the Majlis through the use of front organizations and candidates posing as Nationalists. Previous reports have estimated that Tudeh sympathizers might win up to twelve seats.

While the Communists apparently are gaining strength among the workers in all parts of Iran, there is no other indication that they are currently as strong in Khuzistan as the labor leaders quoted above have asserted.

7. British Foreign Office working on new compromise proposals for Egypt:

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At Foreign Secretary Eden's request the British Foreign Office has drafted a new proposal for the Sudan which probably contains a formula for recognizing Farouk as its king.

Foreign Office officials, however, show "no great enthusiasm" for redrafting the Middle East Command proposals at the present time as requested after the Eden-Acheson talks. They would prefer first to obtain Egypt's conditional agreement to join the Command and then develop the proposals as necessary to meet the specific problems of Anglo-Egyptian defense.

Comment: Eden has apparently abandoned his previous opposition to any compromise on the Sudan. British and American officials, as well as pro-Western Egyptian political leaders, have insisted that only recognition of Farouk as King of the Sudan would persuade Egypt to consider the defense proposals. There is still no evidence that once such a concession had been made Egypt would give up its contention that it can defend the Suez Canal under any circumstances except global war.